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C O N F I D E N T I A L SECTION 01 OF 03 KABUL 003974

SIPDIS

STATE FOR S/SRAP; SCA/FO, SCA/A; EEB/BTA
STATE PASS TO USTR FOR DEANGELIS AND DELANEY

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TAGS: [ETRD](#) [EFIN](#) [PGOV](#) [EAID](#) [PK](#) [AF](#)
SUBJECT: HARD WORK AHEAD TO COMPLETE APTTA AT DECEMBER
NEGOTIATIONS

REF: KABUL 3814 AND PREVIOUS

Classified By: CDDEA AMB.WAYNE FOR REASONS 1.4 (B) AND (D)

11. (C) Summary: Afghan Minister of Commerce and Industry Wahidullah Shahrani reiterated to CDDEA Amb. Wayne the Afghan Government's desire to conclude the APTTA agreement during the upcoming fourth round in Islamabad on December 19-21. Shahrani and Wayne exchanged ideas on how Afghanistan could achieve this objective, with Amb. Wayne nudging the Afghan side towards more flexibility and preparing a range of solutions, including those more palatable to the Government of Pakistan on their Wagh and unauthorized trade concerns. Embassy Kabul offered to facilitate digital video conferences between the Afghan and Pakistani delegations prior to the December round in order to clear additional points. Shahrani referenced his discussion with Secretary Clinton on November 19 on the margins of President Karzai's Inauguration, noting both her interest in seeing the APTTA concluded and her offer to lend support. Amb. Wayne reassured Shahrani that Embassy Islamabad and Washington interlocutors were holding similar discussions with Pakistani negotiators. Embassy Kabul recommends sending messages to Presidents Karzai and Zadari/PM Gilani prior to the beginning of the December round, encouraging them to conclude the agreement.

12. (C) Shahrani confided he expected to remain in office in the new Cabinet, along with the current Ministers of Agriculture, Defense, Finance, Health, Interior and the head of the National Directorate of Security, based on his own December 8 discussions with President Karzai (see Septel). End Summary.

Afghan Government Wants to Conclude APTTA in December

13. (SBU) Minister of Commerce and Industry Wahidullah Shahrani, accompanied by his APTTA advisor, met with Coordinating Director for Development and Economic Affairs (CDDEA) Amb. E. Anthony Wayne and Deputy Economic Counselor on December 8 to discuss APTTA strategies in advance of the December 19-22 final round in Islamabad. Shahrani was pleased to report he had met with Pakistani Minister of Commerce Amin Fahim in Geneva during the Seventh WTO Ministerial Conference November 30-December 2, after several unsuccessful attempts during the year. The two discussed APTTA, but Shahrani observed that Fahim was not very involved in the process, and instead relied on Pakistani lead negotiator Shahid Bashir for substantive input throughout the meeting. Shahrani told Fahim he would travel to Islamabad for the last day(s) of the December 19-21 round of negotiations to lend political weight, and reminded Fahim of the Afghanistan-Pakistan-U.S. May trilateral meeting in Washington and the pledge by their heads of government to complete the agreement by December 2009.

14. (C) Shahrani said he asked President Karzai to call President Zadari or Prime Minister Gilani prior to the round to encourage Pakistan to reach an agreement with the Afghan side. He also recalled his meeting with Secretary Clinton on APTTA on the margins of President Karzai's November 19 inauguration luncheon. Shahrani noted Secretary Clinton reiterated U.S. interest in the two parties, reaching an agreement and offered U.S. help as needed. Amb. Wayne said we would work closely with Washington to send messages to both parties ahead of the agreement encouraging cooperation and success.

Finalizing the Agreement: The Easier Targets

15. (C) Shahrani reviewed five Afghan objectives for the round and agreement. The first three he believed could be achieved more easily:

-- Resolution of the &legal crossing Point8 (Afghanistan) versus &Land border Station8 (Pakistan) debate. He believed this could be resolved by returning to the terminology used in the 1965 transit trade agreement of &exit and entry points.8

-- A reinforced role for the Secretariat of the Transit-Trade Agreement Authority with technical and financial support from donor/international organizations. He again referred to his conversation with the Secretary, noting she had said the U.S. would be able to provide support for trade and customs programs if the agreement is signed. Note: USAID's new Trade and Accession Facilitation for Afghanistan (TAFA)

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program is designed to carry out this type of support. End Note.

-- Involvement of a third party to assist in monitoring the agreement. Afghanistan believes the third party should be an international organization such as the World Bank or World Trade Organization.

The Tough Issues: Unauthorized Trade

16. (SBU) To combat unauthorized trade, Pakistan in Round Four, proposed Interim Measures to be enacted until the results and recommendations of the USAID-financed study on unauthorized trade across the Afghanistan-Pakistan border go into effect (reftel). Shahrani is concerned the interim measures would amount to a negative list of goods. He is equally worried the proposed requirement for Afghan merchants to provide financial guarantees, such as letters of credit, in order for their goods to be shipped to Afghanistan would prove impossible for most merchants. He observed that many of the Afghan traders are based outside Afghanistan (Dubai, etc), and it would be both difficult and costly to secure letters of credit drawn on Afghan banks. Shahrani also noted it is unlikely a framework for such a system would be in place by the time the unauthorized trade study is completed (May 2010). He anticipated lengthy delays at the port of Karachi, noting the powerful influence of retired military officers in control of key transport logistics companies in Pakistan.

17. (C) While Shahrani advocated eliminating the interim measures altogether, Ambassador Wayne encouraged him to find middle ground acceptable to both parties, such as a provision in the agreement to include a reference to the study recommendations and a pledge by both parties to implement the measures. Shahrani took the suggestion and said he would instruct his Afghan negotiating team to draw up language alternatives. Amb. Wayne and Deputy EconCouns also encouraged Shahrani to ensure all the pertinent Afghan ministries cooperated fully with the USAID contractor's research efforts, thereby demonstrating to the GOP that the

GIROA is taking the study and efforts to stem unauthorized trade seriously.

and The Afghan Jackpot: Access to India

¶18. (C) Progressive access to the Indian market through Wagah over a five year period is tantamount to success in Afghan eyes. Minister Shahrani said the Pakistani delegation told the Afghan delegation off-the-record during the last round they privately agree with the Afghan,s graduated access proposal but are constrained by Pakistani internal politics. Amb. Wayne explored a variety of options with Shahrani to solve this issue. Noting how inflammatory mention of either India or Wagah is to the Pakistanis, Amb. Wayne suggested the Afghans might seek &national treatment8 which would accord Afghan trucks the same benefits enjoyed by Pakistani trucks at Wagah. Shahrani said the Afghan government twice had discussed in Parliament the need to mention Wagah and India explicitly in the agreement since the 1965 ATTA agreement mentions Wagah. Amb. Wayne countered, that the Afghans could propose text referring to the 1965 agreement without specifically naming Wagah. Shahrani agreed his teams would prepare several fall back options.

Cabinet Picks: Who,s Staying

¶19. (C) In a one-on-one discussion with Ambassador Wayne, Minister Shahrani said Karzai had met on December 7 with Jihadi leaders and told them he intended to maintain the current Ministers of Agriculture, Commerce, Defense, Finance, Health, Interior, and the National Directorate of Security in his Cabinet with the same portfolios. Shahrani had planned to travel this week to Moscow for a trade show, but said President Karzai requested he remain in Kabul. Shahrani,s Advisor told Deputy Econ Counselor Shahrani had been called to a meeting with these same ministers earlier in the day.

Heavy Lifting Needed Between Now and Round Five

¶10. (C) Comment: Shahrani and the Government of Afghanistan are clearly on board to conclude an agreement in Islamabad at the end of the month. However, our meeting at times resembled a trade negotiations tutorial, with Embassy Kabul suggesting negotiating tactics and possible solutions, including the importance for the Afghan government to have agreement on and drafted language for back-up positions. In

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conjunction with Embassy Islamabad, we have offered digital video conferencing facilities for the two delegations to work on technical issues prior to the next round. We also suggested steps the Ministry of Commerce could take in building consensus within the Afghan government to secure the high-level political support it will need to conclude the agreement. Minister Shahrani requested Embassy Kabul be present to support him in upcoming meetings with his counterparts at Ministry of Foreign Affairs and Finance. We agreed, but suggested he first meet with his cabinet colleagues on his own.

¶10. (C) In addition, Embassies Kabul and Islamabad are holding regular conference calls with Washington to strategize and implement steps to bring the two sides closer together. Together, we will submit the text of a message to be transmitted from Washington to the Governments of Afghanistan and Pakistan encouraging completion of the agreement. We also anticipate senior U.S. officials may need to follow up this message with phone calls to both countries once the negotiations are underway. End Comment.
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